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FILED
Clerk
District Court

JUN 12 2006

For The Northern Mariana Islands
By _____
(Deputy Clerk)

Attorney for Plaintiff.

**IN THE UNITED STATES DISTRICT COURT
FOR THE
NORTHERN MARIANA ISLANDS**

SAIPAN HANDICRAFT,]	Civil Action No. 05-0040
]	
Plaintiff,]	ANSWER OF PLAINTIFF
vs.]	TO COUNTERCLAIM;
]	AFFIRMATIVE DEFENSES
MICRONESIA WOODCRAFT ENT., INC., et al.,]	
]	
Defendants.]	
_____]	

ANSWER

Plaintiff Saipan Handicraft ("Handicraft") hereby answers the Counterclaim filed herein, on June 1, 2006, by Defendants LK Corp. and Defendant Lee, Byung Deuk (collectively "Defendants") as follows:

1. Handicraft admits the allegations contained in paragraphs 1, 2, 3, 4 and 5.
2. Handicraft denies the allegations contained in paragraphs 6, 8, 11(the first one), 12, 13 and 15.
3. With respect to the allegations contained in paragraph 7, Handicraft admits that Defendants only recently began manufacturing and producing dolls using Handicraft's trademarks and trade-dress without license or permission; but is without sufficient information to

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answer the other allegations contained therein, and therefore, denies the same.

4. With respect to the allegations contained in paragraph 9, Handicraft admits that Defendants incorporated Handicraft's marks to improve the overall quality, appearance, and commercial value of Defendants' dolls; but is without sufficient information to answer the other allegations contained therein, and therefore, denies the same.

5. With respect to the allegations contained in paragraphs 10 and 14, Handicraft is without sufficient information to answer the allegations contained therein, and therefore, denies the same.

6. Paragraphs 11(the second one) and 16 do not contain allegations that require an admission or denial; to the extent an admission or denial is required, Handicraft denies the same.

AFFIRMATIVE DEFENSES

As for its affirmative defenses, Handicraft alleges as follows:

1. At all times, Handicraft acted in good faith and with fair dealing.
2. Defendants' counterclaim fails to state a claim upon which relief may be granted.
3. Defendants' counterclaim is barred by unclean hands, bad faith and a calculated plan or conspiracy to try and unfairly steal and infringe upon the interests and rights of Handicraft.
4. Defendants are estopped and prevented by their own acts from obtaining the relief sought by their counterclaim.
5. Handicraft's trademark and trade dress rights, features and interests are protected

by both federal and common law.

6. Handicraft's features and marks as alleged are unique, distinctive, identified with Handicraft, have acquired secondary meaning and state that the origin and source of the dolls is Handicraft.

PRAYER FOR RELIEF

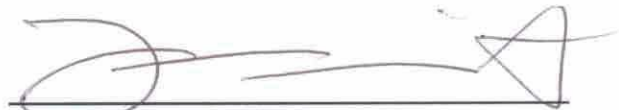
Handicraft prays that this Court grant it the following relief:

1. That Defendants take nothing from its Counterclaim against Handicraft;
2. That Defendants' Counterclaim be dismissed with prejudice;
3. An award of costs against Defendants for defending against the Counterclaim;

and

4. For such other and further relief as this Court may find just and proper.

Respectfully submitted this 6-12-06.

A handwritten signature in dark ink, appearing to read 'F. Matthew Smith', written over a horizontal line.

F. MATTHEW SMITH
Attorney for Plaintiff